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SUBJECT: DRC BUDGET TRANSPARENCY

REF: (A) STATE 28885;
(B) KINSHASA 317

¶1. (U) The FY09 USG foreign assistance package for the DRC includes funds that are considered assistance for the central government under the Foreign Operations, Export Financing and Related Programs Appropriations Act of 2003 (FOAA-03). Post therefore provides the following responses to the questions contained in Ref A.

¶2. (U) The DRC's budget is available publicly, both in electronic form on several official government websites and in hard copy. Revenues and expenditures are detailed in the budget, though the source of the revenues can be difficult to determine. The budget is openly debated in Parliament, though delays in confirming a new government following the September 25, 2008 resignation of former Prime Minister Antoine Gizenga resulted in the late submission of the 2009 budget. Parliament did, however, act on the 2009 budget before the end of the year and in accordance with the Constitution. (Note: The DRC's fiscal year begins January 1. End note.) The GDRC continues to report its finances on a monthly basis.

¶3. (SBU) The DRC's 2009 budget totals \$5 billion, up from \$3.6 billion approved for 2008. The budget was drafted before the global financial crisis and subsequent impact on the DRC's economy, and therefore reflects a number of unrealistic assumptions, including a significant increase in domestic revenues. The budget was not revised to reflect new assumptions before the submission to Parliament. The DRC continues to face a significant economic downturn, adding to fiscal pressures. The IMF recently identified a budget gap of \$100 million, despite recently approved emergency assistance (Ref B). The GDRC currently operates its budget on a cash basis.

¶4. (SBU) The GDRC continues to work to improve its traditionally weak public financial management (PFM) with the support of several donors. In early 2008, the World Bank launched a Governance Capacity Enhancement Project that supports the establishment of sound public financial management practices. Strengthening public financial management has also been a focus of the DRC's staff-monitored program (SMP) with the IMF, and measures to improve PFM will be included in a formal IMF program. The IMF has noted progress by the GDRC in greater adherence to emergency spending procedures. Emergency spending associated with the continuing conflict in Eastern DRC had previously been the cause of several cases of misreporting to the IMF and fiscal slippages under the DRC's previous IMF Poverty Reduction and Growth Facility (PRGF).

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